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SUBJECT: SENATOR LIEBERMAN AND ISRAELI A/PM OLMERT DISCUSS
THE CONVERGENCE PLAN

Classified By: Ambassador Richard H. Jones; Reasons: 1.4 (B and D).

1. (C) Summary: On April 11 -- the day that the Cabinet elected him Acting Prime Minister -- a confident and relaxed Ehud Olmert met with Senator Joseph Lieberman and the Ambassador. Olmert outlined his "convergence plan," with which he hopes to create defensible security borders, minimize Israeli-Palestinian contact, relocate 80,000 settlers, and separate Israelis from 95 percent of the Palestinians and 90 percent of the West Bank within the next four years. Olmert expressed hope that his plan to set Israel's borders will be coordinated with and supported by the United States. He maintained that such steps will be necessary due to a lack of a Palestinian partner needed to make progress on the Roadmap. On other issues, Olmert 1) stressed the need for tough UN sanctions against Iran, 2) analyzed the outcome of the Knesset elections, 3) expressed his intention to form a new government including parties from across the political spectrum by the end of the month, and 4) presented a rosy picture of the Israeli economy. Senator Lieberman's legislative assistant Frederick Downey and military escort LTC Edward Fortunato, as well as GOI foreign affairs adviser Shalom Tourgeman, PM military aide MG Gadi Shamni, and MFA Congressional liaison Eyal Sela also participated in the meeting. End summary.

Olmert Discusses the Convergence Plan

2. (C) After expressing admiration for the manner in which Olmert has handled the difficult period following PM Sharon's illness and welcoming his upcoming visit to Washington, Senator Lieberman asked Olmert about his "convergence" plan to relocate settlers from isolated parts of the West Bank into settlement blocs. In Olmert's assessment, Israel "cannot live with the Palestinians more or less as we live now" and avoid the outbreak of another Intifada. Although he saw the Roadmap (negotiations) as the best way forward, with no Palestinian partners his answer is to set "defensible security borders" that minimize Israeli-Palestinian contact, and separate Israelis from 95 percent of Palestinians who will be left with 90 percent of the West Bank. Such a step entails the relocation of 80,000 settlers from isolated areas to existing or newly built sections in the major settlement blocs.

3. (C) Olmert described his timeline as two years to try negotiations, plan, prepare, and consult with the USG, followed by two years to implement the move of the settlers. He termed the effort a "huge, major, dramatic undertaking ... unprecedented in the State of Israel," cautioning that its scale and Israel's emotional attachment to what it calls "Judea and Samaria" would result in much controversy. Senator Lieberman called the plan achievable and courageous.

Olmert's Views of the U.S. Role

4. (C) Olmert repeatedly stressed that he hopes to carry out convergence with the full understanding and support of the United States. He claimed that the plan is consistent with the President's letter of April 14, 2004. Senator Lieberman sought clarification of what this support might entail. As a start, Olmert urged Congress to pass legislation prohibiting assistance to Hamas in order to send a clear message that there will be no assistance without a change in Hamas policy. Senator Lieberman replied that both the USG and EU were moving in the right direction on the assistance issue.

5. (C) Olmert also expressed a desire that consultations with Washington will result "in an agreement with the United States that these (the convergence borders) are the final lines." He expected that the USG will assist Israel in obtaining European acceptance for the border, a possibility he said was more likely with leaders such as German Chancellor Angela Merkel. Olmert repeatedly praised President Bush, saying that he believes that the President's commitment to fight terror is a moral -- and not just a political -- decision. "In the end of the day," added Olmert, "this is what brings us closer together as nations, as people, and as leaders."

6. (C) Olmert claimed that convergence would also realize a

Palestinian dream by creating a contiguous area free of Israelis -- except for moves by security forces as needed -- as a basis for a Palestinian state. He cautioned that conflicts with the Palestinians would continue at a lower level until they realize that a return to the 1967 borders "will never happen" and are prepared for a permanent peace.

Gaza-West Bank Link and Palestinian Employment

17. (C) Senator Lieberman asked about links between Gaza and the West Bank, as well as about the future of Palestinian workers in Israel. Olmert suggested that Israel has several ideas for a Gaza-West Bank link, but would not offer them without receiving concrete concessions in return. He said that the frequent closings of crossing points make it impractical for the 25,000 Palestinians currently employed in Israel to retain their jobs, adding that he preferred in principle that they work in the Palestinian areas. He suggested options such as industrial parks located along the barrier route, but acknowledged that this idea is also impractical without partners on the Palestinian side.

Lack of Roadmap Partner Makes Convergence Necessary

18. (C) Olmert called the Roadmap a reasonable framework for resolving the Israeli-Palestinian conflict, but lamented the lack of a Palestinian partner. He assessed the chances of the Palestinians taking necessary steps to restart negotiations as "nonexistent" and questioned their ability to do so even if Hamas collapses. He complained that President Mahmud Abbas remains reluctant to take concrete action, noting that he had spoken with Abbas by phone a few days earlier. When asked by Senator Lieberman what steps Abbas could take, Olmert replied he should disarm the terrorist organizations. Olmert suggested that the USG and GOI might agree on benchmarks that the Palestinians must meet to avoid unilateral Israeli moves, but added that there is "no use waiting forever." He expressed a clear intention to proceed with the convergence plan during the term of the current U.S. administration.

19. (C) Olmert noted that the Israeli Cabinet had earlier in the day decided to boycott the PA's "terrorist government." He added that Abbas would be treated separately as the elected President; Tourgeman later told the Ambassador that Abbas would be excluded from the boycott of the PA but that GOI officials would not meet with him as they had nothing to discuss. Tourgeman noted that the exception for Abbas was personal rather than for the Presidency as an organization. The GOI could not exclude the possibility that some of the Presidency's employees might have contact with Hamas.

Iran: Olmert Urges UN Sanctions

10. (C) Senator Lieberman requested Olmert's views on the Iranian nuclear program. Olmert called Russian and French ideas on joint enrichment "a surrender to Iranian aggression." He urged the USG to take a "much more aggressive position in the United Nations," claiming that effective sanctions are the only opportunity to stop Iran short of military action. Stressing that Iran is an international -- not just an Israeli -- problem, Olmert said he intends to raise the issue with the President in Washington.

Olmert Seeks Broad Domestic Coalition by End of April

11. (C) Senator Lieberman asked Olmert to analyze the outcome of the Knesset elections. Olmert said that voters had sent two clear messages: 1) they were opposed to the policies and personalities of Likud, while at the same time distrustful of Labor's ability to lead; and 2) they wanted Kadima to win, but with a limited mandate to keep the party from becoming "too ambitious." Olmert claimed that Likud leader Bibi Netanyahu was harmed by his right-wing views and by what Olmert described as the irresponsible manner in which he had split with PM Sharon. At the same time, Labor had lost seats despite the collapse of Likud and Kadima's last-minute formation. He attributed Kadima's smaller-than-expected victory to pre-election polling, which led some voters to switch to the pensioners party to help it over the threshold for entry into the Knesset without affecting Kadima's expected majority.

12. (C) Olmert claimed that he is not personally involved in the details of coalition negotiations, which are being handled by his advisers. He predicted "the usual bargains" during coalition talks, adding that he wants parties from

both sides of the political spectrum in his coalition. His goal is to avoid over-reliance on either Labor or the right-wing parties. Nevertheless, Olmert stressed the important role that a right-wing party or parties could play for the coalition in reducing anxiety over the convergence plan and building bridges to the settlers. He expressed his intention to form the new government by the end of April and have it functioning in early May.

Rosy Outlook for Israeli Economy

13. (C) Olmert presented a glowing assessment of the Israeli economy, predicting growth of 4.3 percent this year and a reduction in the unemployment rate from current levels of 8.8 or 8.9 percent. He gave former Finance Minister Netanyahu credit for adopting policies to facilitate growth, but claimed that his hubris and doctrinaire belief in free markets had blinded him to the need to provide relief for under-privileged members of society. Olmert also gave credit to PM Sharon for creating an "environment of good-will to Israel and confidence," making the country a more secure location for business. Olmert proudly noted that Intel, Microsoft, and IBM have all invested recently in Israel and said that Bill Gates had told him that all real technical innovations in today's world originate in either the U.S. or Israel.

14. (U) This cable was cleared by Senator Lieberman.

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JONES